



DEPARTMENT OF HOMELAND SECURITY

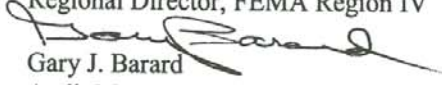
Office of Inspector General
Atlanta Field Office - Audit Division
3003 Chamblee Tucker Rd
Atlanta, GA 30341

April 01, 2003

MEMORANDUM FOR:

Kenneth O. Burris, Jr.
Regional Director, FEMA Region IV

FROM:


Gary J. Barard
Audit Manager

SUBJECT:

Cobb Electric Membership Corporation
Marietta, Georgia
FEMA Disaster 1311-DR-GA
Audit Report No. DA 01-03

The Office of Inspector General (OIG) audited public assistance funds awarded to Cobb Electric Membership Corporation, Marietta, Georgia. The objective of the audit was to determine whether the Corporation accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The Corporation received an award of \$1.3 million from the Georgia Emergency Management Agency, a FEMA grantee, for repair and restoration of its electrical distribution system damaged as a result of a severe ice storm in January 2000. The award provided 75 percent FEMA funding for one large project. The audit covered the period January 2000 to July 2001. During this period, the Corporation claimed \$1,249,782 and received \$937,336 of FEMA funds.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of the Corporation's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The Corporation's claim included questioned costs of \$232,573 (FEMA share - \$174,430) resulting from charges that were excessive, unrelated to the project, and unsupported.

A. Excess Charges. The Corporation's claim included \$207,854 of excess labor and equipment charges, as follows:

- The Corporation claimed \$655,505 of overtime labor costs for employees of its affiliate company who performed disaster-related work. The employees' overtime

pay was computed weekly at a rate of 1.5 times the employees regular pay after 7 hours of work, and 2 times their regular pay after 24 hours of work. However, according to the Corporation's overtime compensation policy, the employees should have been paid at a rate of 1.5 times their regular pay after 40 hours of work. Thus, the Corporation's claim did not comply with federal regulation [OMB Circular A-122, Attachment A, Paragraph 2(c)] which requires that charges to federal grants be consistent with the Corporation established policies and procedures.

At the OIG request the Corporation recalculated and determined that, in accordance with its policy for overtime compensation, the claim should have been \$489,511. Therefore, the OIG questions the excess charges of \$165,994.

- The Corporation claimed \$27,236 of labor costs for 18 management employees who performed disaster work as either a line foreman or power control technician. However, contrary to federal regulation [OMB Circular A-122, Attachment B, Paragraph 7(c)], the claim was based on the employees' normal rate of compensation rather than the rate of pay for the type of services performed. The value of the line foreman and power technician services was \$19,859. Therefore, the OIG questions the excess charges of \$7,377.
- The Corporation claimed \$65,817 for equipment usage based on its own equipment rates. The rates used for the various equipment items included operational costs for fuel, repairs, and incidentals. However, the Corporation claimed an additional \$31,701 of labor costs for employees who performed equipment repairs and general maintenance. The OIG questions these charges because they were included under the Corporation's equipment rates.
- The Corporation also claimed \$6,315 for vehicle usage. However, the proper claim should have been \$3,533. The excess claim of \$2,782 resulted from the Corporation charging the project for hours worked by equipment operators (393) rather than the actual hours of vehicle usage (224).

B. Unrelated Project Charges. FEMA funds were awarded to repair and restore the Corporation's electrical distribution system. However, the Corporation's claim included labor costs of \$16,826 for 12 employees who performed their normal duties as warehouse supervisors, general managers, facilities maintenance coordinators, custodial foremen, and stock clerks. The OIG questions these charges because the duties performed were not related to and did not directly benefit the FEMA project.

C. Unsupported Charges. The Corporation claimed \$10,771 for contracted dispatching services but had invoices and cancelled checks to support charges of only \$2,878. Accordingly, the OIG questions the unsupported difference of \$7,893.

RECOMMENDATION

The OIG recommend that the Regional Director, in coordination with the grantee, disallow the \$232,573 of questioned cost.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The results of the audit were discussed with FEMA, grantee, and Corporation officials on February 27, 2003. Corporation officials concurred with the findings.

Pursuant to FEMA Instruction 1270.1, please advise the Atlanta Field Office – Audit Division by May 30, 2003, of actions taken to implement the OIG recommendation. Should you have any questions concerning this report, please contact me or Felipe Pubillones, Jr. at (770) 220-5242.